

**RISK AND ASSURANCE COMMITTEE**  
**COMATAIDH CHUNNART AGUS SGRÙDAIDH**

**MINUTE OF THE MEETING HELD ON 17 MARCH 2026 AT 0900 AT AN LÒCHRAN, INVERNESS CAMPUS, AND BY TELECONFERENCE**

**1 STANDING ITEMS**  
**CUSPAIREAN COTHROMACH**

**PRESENT (ONLINE):**  
Allan Clow (*Chair*)  
Ailsa Raeburn  
David Wilson  
Keith Nicholson

**IN ATTENDANCE (AN LÒCHRAN):**

Stuart Black	Chief Executive
Sandra Dunbar	Director of Corporate Services
Louise Macmillan	Head of Audit and Assurance
Andrew Jenkins	Head of Financial Services (Items 3.2-3.5)
[Name removed for data protection]	Financial Accountant (Items 3.2-3.5, Item 4.8)
[Name removed for data protection]	Senior Audit and Assurance Manager (Items 3.6-4.2, Items 4.4-4.6)
[Name removed for data protection]	Business Improvement Manager (Item 4.3)

**IN ATTENDANCE (ONLINE):**

Pauline Gillen	Audit Director, Audit Scotland
Andrew Carton	Team Leader, Scottish Government
David Oxley	Director of Strategic Projects (Item 2.1)
David Howie	Head of Strategic Projects (Item 2.1)
Elaine Hanton	Head of Energy Transition and Net Zero (Items 2.2-2.4)
Peter Dennis	Construction Project Manager (Items 2.2-2.3)
Graeme Harrison	Head of Marine Energy (Item 2.4)
[Name removed for data protection]	Executive Assistant

**1.1 Welcome and apologies**

The Chair welcomed everyone, highlighting that this was the first meeting for new Committee member, David Wilson. No apologies had been received for this meeting, Keith Nicholson added he would have to step out of the meeting during section 4 for another engagement.

**1.2 Declarations of interest**

The following declaration of interest was provided.

Item	Committee / staff member	
2.4	David Wilson	Related party interest, Wave Energy Scotland

### 1.3 To approve minute of the Risk and Assurance Committee meeting held on 06 November 2025

The minute of the meeting held on 06 November 2025 was approved with no amendments.

### 1.4 Matters arising from the Risk and Assurance Committee meeting on 06 November 2025

All matters arising from the 06 November 2025 meeting had been addressed and relevant information shared with the members.

### 1.5 Matters arising from the HIE Board meetings held on 16 December 2025 and 24 February 2025

The Director of Corporate Services highlighted one matter arising from the recent Board meeting: financial outturn, this had been reflected in the Risk Register under item 4.3.

*Andrew Carton joined the meeting.*

## 2 CURRENT AND EMERGING ISSUES CÙISEAN LÀITHEIL

### 2.1 Space update

*David Oxley and David Howie joined the meeting.*

*[Item removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].*

*David Oxley and David Howie left the meeting.*

### 2.2 Cairngorm update

*Elaine Hanton and Peter Dennis joined the meeting.*

The Construction Project Manager reported that a number of defects remained on the funicular structure. These defects were being addressed, added to a schedule of works to be progressed by Balfour Beatty including during the planned CMSL outage in May. *[Sentences removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].*

*[Paragraph removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].*

The Committee were updated that the Cairngorm Mountain (Scotland) Limited (CMSL) outturn for 2025/26 looked to be more positive than budgeted but remained uncertain. *[Sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].* The area team will conduct due diligence on the final business plan before going to the HIE Leadership Team for approval and updates to the HIE Board in April.

The Head of Energy Transition and Net Zero and the Construction Project Manager confirmed that regular maintenance and inspections were being conducted, including post-wind event checks. No structural concerns had been identified and CMSL staff were being involved in the inspection process to build operational knowledge.

The Committee noted the update.

*Peter Dennis left the meeting.*

### **2.3 Summary of Public Audit Committee report in relation to Cairngorm Funicular Railway**

The Head of Energy Transition and Net Zero summarised the recommendations from the Public Audit Committee (PAC) report on Cairngorm. She added that HIE's draft response to the PAC report was being refined to align with the Scottish Government's position, including highlighting the recovery of £11 million from previous legal claims and including the qualitative benefits of the funicular reinstatement.

The Director of Corporate Services clarified that HIE did not currently carry a quantified decommissioning liability on its balance sheet, though an indicative figure of £13 million was previously used to support the business case for the funicular. It was agreed that HIE's response to the PAC should be updated to include reference to decommissioning.

The Committee noted the PAC's recommendations relating to a review of governance arrangements and the requirement for clarity on CMSL's role and community consultation. The Director of Corporate Services outlined that a review of the governance arrangements had already commenced. This was being informed by a governance workshop later in the week which would be delivered by Brodies and HIE staff. The workshop will be attended by HIE staff, CMSL Board and the CMSL Chief Executive. The reporting arrangements between HIE and CMSL would be reviewed as part of a follow up to this workshop, and it was intended that CMSL would be invited to a future Committee meeting.

### **2.4 WES update**

*David Wilson left the meeting.*

*Graeme Harrison joined the meeting.*

*[Item removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity].*

*Elaine Hanton and Graeme Harrison left the meeting.*

### **2.5 Audit report – Governance and oversight**

*David Wilson joined the meeting.*

The Head of Audit and Assurance presented a review of HIE's governance and oversight arrangements against the findings and conclusions of recent independent reports. The Committee asked about lessons learned from other public sector governance reports and the Head of Audit and Assurance confirmed that HIE had previously conducted reviews on these topics. She will ensure that the reports on these were available for Committee members to review.

The Committee asked about the approach for establishing staff views and opinions. The Chief Executive advised that there were various forums and HR reports are provided regularly, and a staff survey was planned for the coming year.

The Committee welcomed the audit report noting the good governance arrangements it reflected and the areas for improvement. It was recognised that undertaking this review also reflected a good governance culture. The Audit Scotland Audit Director acknowledged this reflected good practice and would consider including a reference to this in the annual report.

## **3 ACCOUNTS RELATED STUTHAN CUNNTASACHAIL**

### **3.1 Audit Scotland Annual Audit Plan and fee for 2025/26**

The Audit Scotland Audit Director outlined the Audit Scotland annual audit plan for 2025/26, including the audit of the annual report and accounts, wider scope areas, and Best Value. Materiality was set at £1.5 million, with performance materiality at £900,000 and a reporting threshold for misstatements of £75,000.

The only significant risk of material misstatement identified was management override of controls. The Audit Director stated that the planned audit work would fulfil the requirements specified in the auditing standards and the Code of Audit Practice. It was also noted that as part of the group audit approach, there would be coordination with external auditors for subsidiary companies.

The audit conclusion and annual report and accounts sign off is scheduled for the Risk and Assurance Committee meeting on 08 October 2026. The Audit Scotland Audit Director noted that planning for the next audit procurement round is underway as there are two years remaining in the current appointment.

The Committee noted the plan.

### **3.2 HIE Annual Report and Accounts 2025/26 – approach and timetable**

*[Name removed for data protection] and Andrew Jenkins joined the meeting.*

The Head of Financial Services and the Financial Accountant provided the Committee with details of the approach and timetable for the preparation and audit of HIE and group Annual Report and Accounts.

The Financial Accountant described the collaborative timetable for accounts preparation, highlighting the risk and impact of a new property management contract, and updated on the outcome of the procurement exercise relating to the subsidiary auditor. The Head of Financial Services also added that roles and responsibilities for delivery of the annual report and accounts had been reviewed and updated to help ensure more timely delivery.

The Director of Corporate Services and the Head of Financial Services reported ongoing work to embed the new financial system, with a 12-month improvement plan focusing on budget management and fixed asset modules. Feedback from colleagues and Audit Scotland was being incorporated into making the best use of systems.

The Committee noted the approach and timetable.

### **3.3 Lessons learned from 2024/25 accounts process**

The Head of Audit and Assurance summarised the findings of the lessons learned exercise undertaken following conclusion of the annual report and accounts process, noting areas of good practice which should be continued, as well as areas that could be improved. She highlighted the importance of clear communications with third parties, clarity on responsibilities, and regular meetings with Audit Scotland. The Audit Scotland Audit Director added that the 2025/26 audit process had gone smoothly.

The Committee noted the lessons learned and actions identified and requested an update on these to ensure they were embedded.

### **3.4 Update on actions taken to implement Audit Scotland recommendations**

The Head of Audit and Assurance provided an update on the actions taken to implement recommendations agreed in the Audit Scotland report on the 2024/25 audit, noting actions were in progress and on track for the agreed deadlines. Ongoing work included business continuity planning, cyber strategy and regular testing of emergency communication protocols.

The Committee noted the action being taken towards the implementation of the Audit Scotland

recommendations.

### **3.5 Approach to annual assurance for 2025/26**

The Head of Audit and Assurance presented the proposed approach to annual assurance for 2025/26. She described the process for gathering assurance from area teams, directorates, group companies and high risk programmes, using checklists and stewardship reports to support the internal control statement for year-end. This information will be used to provide assurance to the Accountable Officer and to the Sponsor Team and to inform the Governance Statement.

The Committee noted the overall approach for the annual assurance exercise for 2025/26.

*[Name removed for data protection] and Andrew Jenkins left the meeting.*

### **3.6 Approach to audit expenditure reviews for 2025/26**

*[Name removed for data protection] joined the meeting.*

The Senior Audit and Assurance Manager explained the approach for expenditure reviews for 2025/26 noting a final population for review will be identified post financial year-end. She added that the expenditure review sought to cover 30-40% of total spend in-year to ensure areas of greatest risk were reviewed. Audit Scotland relied on the results in supporting its activity.

The Committee noted the approach.

## **4 PLANNED ACTIVITY GNÌOMHACHDAN PLANAICHTÉ**

### **4.1 Assurance plan progress report 01 October 2025 to 31 January 2026**

The Head of Audit and Assurance presented an update on the assurance plan from 01 October 2025 to 31 January 2026. She reported that most planned assurance activities had been delivered, with a few areas not yet fully completed due to prioritisation of special reviews and further investigations.

The Committee questioned the impact of new funds, such as those from the Offshore Wind Programme, on the assurance plan. The Head of Audit and Assurance informed the Committee that whilst this triggered some additional reviews, payment arrangements for many of these large infrastructure projects were covered by independent certifications, and further assurance activities will be considered in future planning.

The Committee queried the delay in finalising two Enterprise Information Systems (EIS) audit reports. The Head of Audit and Assurance outlined that these reports had initially been issued as final in November 2025. One partner had subsequently advised they had not had the opportunity to comment, and the reports were subject to additional iteration between the auditor and the partner. One report had now been finalised with the other remaining outstanding.

*Keith Nicholson left the meeting as noted in item 1.1.*

The Director of Corporate Services noted that the increased engagement from EIS and Skills Development Scotland (SDS), as well as the appointment of a new Head of Strategy in EIS, were seen as positive developments that should strengthen the audit environment and reduce future delays.

The Committee noted the report.

#### **4.2.1 Internal audit quality review**

The Senior Audit and Assurance Manager informed the Committee of the internal quality assessment undertaken by the Audit and Assurance team as part of ongoing continuous improvement for 2025/26. She added that the internal audit team conducted its second annual quality assessment using a UK government framework, achieving improved scores with requirements for periodic review of the audit charter and strategy.

The Committee noted the update and the assurance it gives to the RAC.

#### **4.2.2 Internal audit survey results**

The Senior Audit and Assurance Manager presented the results of an internal audit survey. Staff who had received an audit report in 2024/25 and 2025/26 were asked to complete an anonymous survey. The results indicated a high confidence in the internal audit function, with positive feedback on professionalism and value.

The Committee noted the lower scores given regarding report fairness and clarity. These concerns were acknowledged by the Head of Audit and Assurance, who advised this would be looked at as part of an improvement plan. The Senior Audit and Assurance Manager also explained the challenges of communicating scope to auditees. To address any dissatisfaction, the team plans to provide more information about the audit process with better explanations and transparency.

The Committee noted the results.

*[Name removed for data protection] left the meeting.*

#### **4.3 Risk Register, February 2026**

*[Name removed for data protection] joined the meeting.*

The Business Improvement Manager provided an update on the risk register, outlining amendments since the last Board meeting in February 2026. The updated risk register focused on year-end financial risks and uncertainty, significant capital commitments and the need for assurance on future funding availability to meet project needs, particularly from the Offshore Wind Investment Programme.

The Committee asked whether the outcome of the upcoming Scottish Parliament election should be reflected on in the risk register, *[part of sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity]*. The Director of Corporate Services confirmed that Leadership Team was conscious of the potential political change, and that this was reflected in the 'political / key stakeholder' risk. She noted that the Director of Strategy and Regional Economy was leading on a programme of stakeholder engagement, *[part of sentence removed in the interests of the effective conduct of public affairs, and due to commercial sensitivity]*.

The Committee noted the risk register update.

*[Name removed for data protection] left the meeting.*

#### **4.4 RAC effectiveness review 2025/26**

*[Name removed for data protection] joined the meeting.*

The Head of Audit and Assurance presented the findings from the Risk and Assurance Committee effectiveness review for 2025/26. She also noted all agreed actions from the 2024/25 exercise implemented or ongoing. New actions were identified to address the improvement areas identified and the Committee agreed these.

#### **4.5 RAC Terms of Reference**

The Head of Audit and Assurance presented proposed amendments to the Risk and Assurance Committee Terms of Reference. The amended version was prepared following the effectiveness review and benchmarking against public sector standards. Minor changes were proposed, including clarifying expected skill sets of members and refining wording.

The Committee agreed to the amendments and for the Terms of Reference to go to the April 2026 Board meeting for approval.

#### **4.6 Audit Reports with Limited Rating**

The Senior Audit and Assurance Manager and the Head of Audit and Assurance presented two internal audit reports with limited assurance: The audits identified weaknesses in payment release processes, procurement and information management. The director overseeing this business area requested the audit, had accepted responsibility for its findings, and was implementing actions to address the issues identified.

The Director of Corporate Services explained that while these issues appeared isolated to one team, lessons learned will be applied to future small grant schemes, with plans for further training, follow-up reviews and updates to policies and guidance and a specific lessons learned exercise planned for after the conclusion of Islands Business Resilience Fund.

The Committee discussed whether to request a future update from the director on actions taken and members agreed that ongoing reporting and application of lessons learned to similar schemes would provide sufficient assurance.

The Committee noted the findings.

*[Name removed for data protection] left the meeting.*

#### **4.7 Audit Report – implementation of audit recommendations for reports issued in 2024/25**

The Head of Audit and Assurance provided an update on the implementation of audit recommendations for reports issued in 2024/25. As of the end of February 2026, 84% of all recommendations were fully implemented or closed. 79% of high-priority recommendations were fully implemented. 12 recommendations required further management action, and one report was awaiting confirmation of implementation.

One outstanding action from 2023/24 remained relating to recovering the cost of an which continues to be overseen by the fraud response.

The Committee noted the findings of the review.

#### **4.8 Write-offs**

*[Name removed for data protection] joined the meeting.*

The Financial Accountant reported on the write-offs processed since the previous year, including loans and equity shares with no prospect of recovery. These had all been fully provided for and approved by Leadership Team.

The Director of Corporate Services, together with the Scottish Government Team Leader, confirmed that HIE possessed the authority to write off debts when an organisation has entered administration or similar

and there was no reasonable likelihood of recovery. Under HIE delegated authority arrangements, write-offs up to £250,000 could be approved by Leadership Team, amounts above that required board approval, and items over £250,000 were notified to the Scottish Government.

The Committee noted the write-offs.

*[Name removed for data protection] left the meeting.*

#### **4.9 RAC development programme (verbal)**

The Director of Corporate Services and the Head of Audit and Assurance sought feedback on the recent Committee development sessions. These were well received by attendees and described as useful sessions which supported the continuation of development activities. The Director of Corporate Services also noted guidance was being updated based on feedback from the budget development session.

The Director of Corporate Services proposed scheduling a Standards Commission session after new Board members are appointed in the latter half of this year, with the Committee suggesting adding a session on delegated authorities. Further suggestions from Committee members for future topics would be welcomed.

#### **4.10 Any other business**

There was no other business.

#### **Date of next meeting:**

The next meeting of the Risk and Assurance Committee is due to take place on 02 June 2026.

*[Name removed for data protection]*

Executive Assistant

17 March 2026